RAJYA SABHA

Thursday, the 24th November, 1988/ 3rd Agrahayana, 1910 (Saka)

The House met at eleven of the clock **Mr. Chairman** in the Chair.

ORAL ANSWERS TO QUESTIONS

Rupee Value against U. S. Dollar

*181. SHRI CHITTA BASU: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the rupee value has touched a new low against the U. S. dollar even though the dollar itself has recovered to certain extent against all major currencies in cluding the Yen;

(b) if so, what are the reasons therefor; and

(c) what steps Government have taken or propose to take to remedy the situation?

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO): (a) to (c) A statement is laid on the Table of the House.

Statement

(a) The U.S. dollar has recovered against the major currencies during May—Septemer, 1988. The rupee has depreciated against the dollar since April, 1988.

(b) and (c) The exchange rate of the rupee is fixed with reference to the exchange rate movement of a suitably weighted basket of currencies. In a regime of floating exchange rates, upward or downward movements of the value of rupee, which depends upon the fluctuations in the value of these currencies, is a normal phenomenon.

SHRI CHITTA BASU: Sir the behaviour of the rupee in the foreign exchange market in the recent past seems to be very intriguing. The value of rupee against dollar continues to decline even if the dollar shows signs of recovery. I want to give an example. For instance, in January last, dollar registered a decline of 50 per cent in terms of yen and the rupee also dropped by 51.9 per cent against yen. But the dollar subsequently recovered appreciably and the rupee did not commensurately appreciate. On the contrary, it showed a further decline of about 9 per cent in terms of yen. May I know from the hon. Minister how does the Government reconcile to this phenomenon? Let me explain the phenomenon—the dollar appreciates against the yen, but the rupee does not appreciate even if the dollar appreciates. How does the Government reconcile to this? I also further want to know how far the policy of Reserve Bank of India regarding variation in the rates on the basis of rates for the basket of currencies is rational. The policy now being pursued by the Government is, I believe, nothing but a policy of concealed devaluation without resorting to official devaluation because that will arouse the wrath of the people and dissent within the Government itself.

SHRI EDUARDO FALEIRO: With due respect to the hon. Member, I am unable to agree with his contention that the dollar has been consistently appreciating vis-a-vis rupee.

SHRI CHITTA BASU: I have not said that. What I have said is, the dollar depreciates in terms of yen and the rupee also depreciates in terms of yen. But when the dollar appreciates in terms of yen, the rupee does not appreciate. Why is it so?

SHRI EDUARDO FALEIRO: The position is as follows. These currencies have been fluctuating in the recent past and they are fluctuating in the present. That has been the position always. The position is that the rupee is tied to a basket of currencies. There is no intention to change this monetary policy because it is a good

monetary policy; it avoids jolts and jerks.

SHRI SUBRAMANIAN SWAMY: What is the weight of the dollar in the basket?

SHRI EDUARDO FALEIRO: I will mention about the dollar and the rupee. As far as December 1987 or January 1988 was concerned, beginning with the year, the rupee went down as compared to the dollar by .99 per cent. As far as February is concerned, the rupee appreciated as against the dollar by 15 per cent. As far as March of 1988 is concerned, the rupee further appreciated as against dollar by .62 per cent. As far as April and the subsequent months are concerned, there has been a depreciation of the rupee vis-a-vis the dollar. So there has been a depreciation to some extent—even a larger percentage of depreciation of some major currencies like pound sterling and even Deutschmark as far as dollar is concerned. Therefore, there is no motive for the anxiety expressed by the hon. Member. This is a continuous process of adjustment, a process which has yielded good results for us and for our economy, more particularly for our external trade.

SHRI CHITTA BASU: Sir. my second question: Now I quote from a PTI report published in a section of the press on November 21. It says: "The rupee has deteriorated by 10.1 to 15.5 per cent so far with regard to major currencies during the current year." This is the PTI report. Therefore, I don't accept his statement...

MR. CHAIRMAN: You are asking whether it is correct or incorrect.

SHRI CHITTA BASU: No.

MR. CHAIRMAN: Then put your question, please.

SHRI CHITTA BASU: I am coming, Sir. I have just contested him that his statement is not correct. Now, may I know whether the Government is aware of the disastrous result of this kind of depreciation of the rupee, because I know that about 50 per cent of our import expenditure is on the basis of quotations in dollars and, as I have mentioned earlier—and as reported by the PTI—10 per cent depreciation of the rupee against the dollar will result in the increase of the rupee value of imports by about Rs. 1,000 crores a year? This will make the BOP position still more alarming and difficult. Will the Government now review the entire present policy of exchange rates to avoid this kind of a disastrous impact?

SHRI EDUARDO FALEIRO: Sir, if the honourable Member does not accept the statement I have made, it amounts to his not accepting the reality; I can't help it.

SHRI CHITTA BASU: It is the PTI which says it. You convince the PTI people.

SHRI EDUARDO FALEIRO: Sir, these are our figures. Now, as far as his observation that it is a disastrous policy is concerned, I leave it to the honourable House and the honourable Members to consider whether his policy is disastrous. Sir, the movement of Indian exports and imports in dollar terms, in percentage, over the preivous years has been like this. In 1986-87 our exports, in dollar terms, increased over the previous year by 12.2 per cent. In 1987-88 our exports, in dollar terms, increased over the previous year by 14.3 per cent. During the same period, in 1986-87, our imports increased, in dollar terms, over the previous year by 0.5 per cent only as compared to the export increase of 12.2 per cent. As far as 1987-88 is concerned our imports increased, in dollar terms, by 1.7 per cent only over the previous year, as compared to the increase in exports of 14.3 per cent. Now, if the honourable Member does not consider this to be a very successful and effective policy in the interest of the economy which

has blossomed forth over the last three, four years, particularly in external trade, I can't help it.

SHRI A. G. KULKARNI: Sir, I am not very enthusiastic about the hope which the honourable Minister has expressed. Particularly, in the statement which he has placed, he has avoided the basic question. The basic question in part (b) of the main question is, "...what are the reasons therefor?"

Sir, we all have apprehensions about our foreign exchange reserves and our foreign exchange earnings out of exports from this country. Before I put my question, I want to know whether it is not a fact that our balance of payments position is deteriorating. Sir, our foreign exchange reserves dropped, roughly, by Rs. 1,900 crores from last July onwards. Particularly, the rupee value as against the basket of currencies which you say, has been moved upward and downward 76 times by the Reserve Bank of India during the period between last March and July. So, taking an overall view of this—I do not object to the linking to a basket of currencies; ou can do that—the rupee value being reduced has not encouraged our exports. That is the position. The total of our exports in terms of dollars is only 70 per cent. Our friend has quoted that depreciation of the rupee is to the extent of 9.8 per cent or 10 per cent. I want to know from him really, whether, instead of giving a simplified solution, the Government will consider a policy, a sound long-term policy to stabilise the rupee, and that can be achieved only by stopping the deterioration in balance of payments, foreign exchange reserves and aggressive exporting because the rupee value being down, exports can be increased. The natural corollary is this. In this situation, stability of the rupee is more important. Would you give a thought to this and give cogent reasons why the rupee value is going down and down beacuse of the various reasons I mentioned?

SHRI EDUARDO FALEIRO: Sir, our policies are sound, and they have yielded results. As far as the balance of payments is concerned, we have taken definite steps, and we have an action plan which is being implemented ,and it has also yielded results. I cannot go at this point of time on details of this plan because that does not arise from this question and I do not have the material with me. I just like to say on the question of depreciation of the rupee for the information of the hon. House...

SHRI A. G. KULKARNI: A long-term policy to stabilise the rupee?

SHRI EDUARDO FALEIRO: We find the policy is very sound. I would like to say that we find it sound because as compared to the courrencies of other countries which are our competitors both in terms of exports as well as imports, developing countries, the rupee has depreciated much less. Just to take the last few years, for instance a decade, over the decade the rupee has depreciated 42.93 per cent vis-a-vis the dollar, whilst the currency of China has depreciated 58.22 per cent, Argentina, 99.99 per cent over the same period; Indonesia, 63.27 per cent; Israel, 99.80 per cent; Pakistan, 45.66 per cent; Sri Lanka, 52.43 per cent; Turkey, 97.93 per cent; Yugoslavia, 99 per cent and so on and so forth.

MR. CHAIRMAN: You mean to say that you are better off than other developing countries.

SHRI EDUARDO FALEIRO: Yes, we are much better off than other developing countries. (*Interruptions*)

SHRI A. G. KULKARNI: Is Argentina comparable to Indian economy? Don't be satisfied.

MR. CHAIRMAN: He is comparing China.

SHRI A. G. KULKARNI: China's economy is a regimented economy. Our economy is a mixed economy and a free economy.

SHRI EDUARDO FALEIRO: That is right. If the hon. Member wants to compare, he is welcome to do so, and he will see that we have not done badly at all.

SHRI P. N. SUKUL: Mr. Chairman, I am just going to ask him how the depreciation of the rupee vis-a-vis dollar compares with the currencies of other countries. The hon. Minister has just cited some examples. This is going to be my question. I want to know whether the depreciation of their currencies has been less or more than that of the Indian rupee and what has been its impact on our trade with those countries.

SHRI EDUARDO FALEIRO: As I have mentioned, the depreciation has been mixed. I have cited the examples of countries where the depreciation has been larger and greater than our own country. There are other countries like Korea in which it has been a little less. But broadly, Sir, there has been depreciation of the currencies of the developing countries compared to the developed, industrialised countries. That is a perennial problem, that is a major problem. That is why we are championing a new economic order wherein there is no dictation from some of the countries which happen to be the indstrialised countries in terms of prices of our commodiies as well as their commodities in their interest and exclusively in their favour only. That is the reason why we are doing this.

SHRI SUBRAMANIAN SWAMY: Sir, as a former Professor of Economics, I am quite puzzled...

MR. CHAIRMAN: Once a Professor, always a Professor. Once mortagaged always mortagaged.

SHRI A. G. KULKARNI: He need not enlighten us that he is a Professor. We know he is a Professor. (*Interruptions*) Professor of doubtful intelligence.

SHRI SUBRAMANIAN SWAMY: Coming from the Congress Party, that is the highest honour I can get, Sir. The day they praise me, I shall be suspicious.

The phenomenon which we have witnessed and the Minister is trying to hide is unprecedented because you will not find it in any text book on Economic whether in India or outside. And that is this that when the Janata Government went out in 1980 ... (*Interruptions*)

SHRI A. G. KULKARNI: Janata Government has become history now. Why again resurrect it?

SHRI SUBRAMANIAN SWAMY: What does he have in the breakfast, Sir, that at this age he is popping up?

SHRI A. G. KULKARNI: You are speaking of something which has no relevance here.

SHRI SUBRAMANIAN SWAMY: Do you mean to say that the Janata Government has no relevane here? (*Interruptions*) His Guru Sharad Pawar was our Chief Minister. Of course, he has gone there now.

MR. CHAIRMAN: He recognises Sharad as his leader.

SHRI SUBRAMANIAN SWAMY: Imagine, Sir. So, the dollar-rupee rate was Rs. 8 per dollar.

SHRI A. G. KULKARNI: Is Sharad Pawar haunting him? What is wrong with Sharad Pawar?

SHRI SUBRAMANIAN SWAMY: Did you say hunting or haunting?

SHRI A. G. KULKARNI: Haunting. And you are not going to be elected from Bombay. Why are you worried?

SHRI SUBRAMANIAN SWAMY: If elections were in your hands, then, of course, God save this country.

SHRI A. G. KULKARNI: Definitely, I come from that area. I know I can defeat you.

SHRI SUBRAMANIAN SWAMY: O.K. Thank you. Sir, I have to yield to his age. (*Interruptions*)

MR. CHAIRMAN: Let us now come to the point, on the supplementary. (*Interruptions*) Shrimati Nataraja asked a question and he got confused.

SHRI SUBRAMANIAN SWAMY: That is right, Sir. She asked about figures. She did not asked about facts.

SHRI A. G. KULKARNI: Because he is confused professor, he did not get the question.

MR. CHAIRMAN: No, he got confused because of special reasons.

SHRI N. E. BALARAM: Why are you worried about his confusion?

MR. CHAIRMAN: She put a question about Tamilian Brahmins.

SHRI SUBRAMANIAN SWAMY: Now-a-days, Tamilian Brahmins are Harijans of Tamil Nadu. You don't know? They are equal to that status there.

MR. CHAIRMAN: So, you want that status.

SHRI SUBRAMANIAN SWAMY: Yes, reservations at the same level.

The dollar-rupee rate was eight rupees to a dollar as on January 1, 1980. Today it is Rs. 15.20 per dollar. In the mean-time the dollar vis-a-vis other currencies, take Yen for example, which was 360 yen to a dollar is now only 140 yen to a dollar. That means the dollar value has gone down vis-a-viz other currencies over these long trends and the rupee value vis-a-vis dollar has gone up. This is unthinkable in normal economics. So, the question I am asking is...

SHRI JAGESH DESAI: Do you mean to say that the rupee value has gone up?

SHRI SUBRAMANIAN SWAMY: How can rupee value go up, if the number of rupees per dollar group?

SHRI JAGESH DESHAI: You said like that?

SHRI SUBRAMANIAN SWAMY: No, I did not. He got me derailed, Sir.

MR. CHAIRMAN: Why do you get derailed so easily?

SHRI SUBRAMANIAN SWAMY: I never knew I was such a red rag to all these bulls. So, the number of rupees per dollar... (*Interruptions*)

SHRI PAWAN KUMAR BANSAL: You know what a bull does?

SHRI SUBRAMANIAN SWAMY: Yes, I know what he has been doing in a China shop. (Interruptions) May I sit down or what?

SHRI A. G. KULKARNI: Sir, he is not a bull, but he is some other thing. I cannot mention that, because it is unparliamentary.

SHRI SUBRAMANIAN SWAMY: Thank you. Buta Singh is here. You can educate him on what is parliamentary and what is unparliamentary.

THE MINISTER OF HOME AFFAIRS (SHRI BUTA SINGH): Kindly keep it between you and Mr. Kulkarni.

SHRI SITARAM KESRI: Both are intellectuals.

श्री अरविंद गणेश कलकर्णी: अरे भाई मैं नहीं हूं... (व्यवधान)... ऐसे टापई के इंटलैक्चुअल्स बहुत पागल रहते हैं।

SHRI SUBRAMANIAN SWAMY: The minimum condition for membership in the Congress party is that you must not have any brain, Sir.

MR. CHAIRMAN: You raise your intellectual level and let us take up the question.

SHRI SUBRAMANIAN SWAMY: Sir, I don't want to go to their intellectual level. It is not easy.

श्री बूटा सिंह: इंटेलैक्चुअल तो जेठमलानी जी हैं, ये नहीं हैं।

SHRI SUBRAMANIAN SWAMY: So, the question is how is this possible that the number of rupees per dollar should go up when the number of dollars per other currency should also be going up simultaneously? Therefore, I want to know from the Minister whether he has seen the IMF Report which says that the rupee conversion in the black market and depositing in froeign currency in Swiss Banks' account is going up at the rate of 35 per cent per year. I would like to know whether this rise in deposits in Swiss banks' illegal accounts is responsible for the unusual trend where the number of rupees per dollar keeps on increasing whereas the value... (*Interruptions*)

AN. HON. MEMBER: There is no connection.

SHRI SUBRAMANIAN SWAMY: I want to know whether there is a connection between these two or not.

SHRI EDUARDO FALEIRO: The monetary policy of the Janata Party Government led to an economic disaster of such dimensions, which fortunately this country has not witnessed in its recent history. Sir, I would just like to mention when the hon. gentleman left the Treasury Benches in 1979-80 the GNP was down by 4.7%...(Interruptions)...This is all the result of their monetary policies. Agricultural production was down by 15.2%, industrial production was down by —1.7%, imports were up by 34.2%, exports went up by 12.1%. This is an unmitigated disaster. Inflation was much higher than it is now. I do not want to quote the figures further or to show how successfully we have been able to recover in the interest of this country and in the interest of the people of this country by following Congress policies to which the hon. Member alludes.

SHRI SUBRAMANIAN SWAMY: I asked another question: whether he has seen the IMF report that the Indian illegal accounts in Switzerland are going up at the rate of 35 per cent per year and whether this has got anything to do with the rupee-dollar rate from Rs. 8 to Rs. 15.2 to a dollar.

SHRI EDUARDO FALEIRO: If the hon. Member instead of chasing Swiss accounts would have been more concerned about the Indian economy things would not have come to that pass in 1979-80.

SHRI SUBRAMANIAN SWAMY: You do not want to look at Swiss bank accounts?

SHRI A. G. KULKARNI: This is the difficulty. You have already spent more than 15 minutes on this question and there is only confusion.

SHRI SUBRAMANIAN SWAMY: To which you are a big contributor.

SHRI DIPIN GHOSH: Mr. Chairman, Sir, this is a serious question, so discussion should take place on a serious note because dollar-rupee exchange ratio is a yardstick to judge the soundness of the economic policy particularly in relation to the international trade of our country. Our Minister has rightly stated that the rupee is tied up to a certain basket of foreign culrencies and the dollar-rupee

exchange ratio depends upon the trend of international trade obtaining at a given point of time. There is data given by PTI and your data is available. I am not going to say that PTI data is perfectly correct since the Minister is making a statement on the floor of the House, we have to take the Minister's statement as one to be believed. But, yet, the Minister himself has admitted that the value of rupee is going down in relation to the dollar in percentage of value. The main question of my hon friend, Mr. Chitta Basu was that the value of certain other currencies was going up in relation to the dollar and in that background what were the reasons for the Indian rupee going down in relation to the dollar? Our Minister has quoted certain figures of rise in the export figure and rise in the import figure but these are in absolute terms. When he quoted certain percentage of rise in exports, it means that it rose in relation to the exports of the corresponding year or the corresponding period previously. Similarly, when he quoted the rise in imports such a rise might have taken place in relation to the corresponding year, last year or last month or whatever it is, he has not mentioned the period. But this is one factor only, there are other factors also. He has also used another word 'dollar term', the increase in export trade and import trade in dollar terms. May I know from the Minister, what exactly the terms of trade is now obtaining between the USA and India? I am telling you terms of trade not the balance of payments or balance of trade. I understand that you know the meaning of 'terms of trade'. In that case, one will be in a position to understand the exact impact of the trend of the international trade on the comparative exchange ratio between the dollar and the Indian rupee.

SHRI EDUARDO FALEIRO: The specific question regarding terms of trade would better be addressed to my colleagues in the Ministry of Commerce. (Interruption). However, so far as trade generally and the stability of our trade are concerned, we have made concerted efforts for upgradation of technology so that our exports become more competitive. We have also made concerted efforts for import substitution. To strengthen our infrastructural base and to improve on it, some amount of imports are necessary. This is on the short-term aspect of it to make our trade more competitive and more favourable. On the long-term aspect, the problem remains that of changing the domination of industrialised countries over the international market forces and therefore, there is the need for a new international economic order which is more equitable.

*182. [The questioner (Shri Basudeb Mohapatra) was absent. For answer vide col. 33 infra].

World Bank Assistance for Environment Projects

*183. SHRIMATI VEENA VERMA:† SHRI KAPIL VERMA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the World Bank proposes to provide funds to India for environmental projects; if so, what are the details thereof;

(b) whether his Ministry has already started preliminary discussions on potential projects with the World Bank environment team; and

(c) which are the projects identified to be executed from this fund?

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO): (a) to (c) An overall figure of likely World Bank assistance is determined at the Aid India Consor-

†The question was actually asked on the floor of the House by Shrimati Veena Verma.